Ignoring E-commerce can lead to bigger headaches

E-BIZ

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Many people working in organizations are desperately trying to persuade senior executives that electronic commerce will change their business significantly. They are trying to ensure that their enterprise develops an effective E-commerce strategy within the boardroom.

Some of these efforts are less than successful. One person reports that after a presentation to the company's executive office on the impact of the Internet and E-commerce, the chief executive officer responded, "the Internet gives me a headache" and he didn't want to think about it.

That's hardly a progressive way to deal with something that's bound to shake every business to the core in the coming years. It evokes the image of a buggy-whip company CEO 100 years ago, saying the internal combustion engine gave him a headache and he preferred not to think about it.

The fact is, when the tools of E-commerce are combined with the geographic reach of the Internet, a unique on-line laboratory is created. There, smart executives will discover new business models, aggressively compete in new markets, reduce prices to solidify market share and respond to the demands of an empowered consumer. In doing so, they are guaranteed to give complacent executives a significant migraine.

On-line technology provides opportunities for fascinating new ways of doing business. For example, while the investment world struggles with the concept of the discount brokerage, a far more significant business model change is likely waiting in the wings.

I have no doubt that in the next five years, we will see the emergence of entirely new on-line stock, commodity, futures and other markets that will come to rival established exchanges in Toronto, New York and elsewhere.

That sort of fundamental change is on the horizon. Managers can't beg off from getting involved simply because the concept bothers them.

Then there's the competition. I've come to believe that there are eight new forms of competitive threat on the doorstep of every company.

Consider just one of them: Wha happens when your suppliers de cide to compete with you? Man travel agents are suffering reduce revenues, as airlines, hotels and ca rental companies sell directly t consumers and businesses. The suppliers are competing with then cutting them out of many profitab commission situations.

Supplier-based competition isn restricted to this sector. It's posir a major threat in the retail industi as manufacturers establish We sites to sell products directly t consumers, taking stores out of th transaction.

Challenges also come from th erosion of healthy margins. E-con merce provides so many ways fo other companies to step into yo market that many rivals are goir to compete based on price. If yc enjoy fat margins, expect a perio of extreme angst as they narro and you are forced to significant restructure your business to ke up.

Finally, your own customers m prove to be your biggest challeng For example, a company recent quoted me a price of $1,800 to u grade a home security system. Aft a bit of research on the Web, found the same company cou provide a better solution for ju $200.

There is no doubt that the o line world presents a big headach The only way to cure it is to unde stand and deal with the Internet the executive suite and in t boardroom.

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